

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Central Operations for Police Services	County Muskegon
Fiscal Year End 9/30/06	Opinion Date 12/5/06	Date Audit Report Submitted to State 12/18/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments or recommendations.	
Other (Describe)	<input type="checkbox"/>	No single audit or other items required.	
Certified Public Accountant (Firm Name) BRICKLEY DELONG		Telephone Number 231-726-5800	
Street Address TERRACE PLAZA SUITE 500		City MUSKEGON	State MI
Zip 49443			
Authorizing CPA Signature <i>Timothy D. Arter, CPA for Brickley DeLong, P.C.</i>	Printed Name TIMOTHY D. ARTER	License Number 10253	

Central Operations for Police Services  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended September 30, 2006

## Central Operations for Police Services

### TABLE OF CONTENTS

Management's Discussion and Analysis.....	i - vi
Independent Auditors' Report .....	1
Basic Financial Statements	
Balance Sheet—Statement of Net Assets .....	2
Statement of Revenues, Expenditures and Changes in Fund	
Balance—Statement of Activities .....	3
Notes to Financial Statements .....	4
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund .....	18
Other Supplemental Information	
General Fund	
Schedule of Revenues and Expenditures—Wireless Surcharges .....	20
Schedule of Revenues and Expenditures—Reserved Fund Balance .....	21

# CENTRAL OPERATIONS FOR POLICE SERVICES

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## Management's Discussion and Analysis

As management of Central Operations for Police Services, we present to the readers of the Organization's financial statements this overview and analysis of the financial activities of the Central Operations for Police Services for the fiscal year ended September 30, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

- The Organization's net assets increased by \$547,567 (14.45%) from \$3,815,356 to \$4,362,923. The primary reason for the large increase continues to be the property tax levy. The levy is being used to repay contractual debt to Muskegon County which was incurred for the installation of a county wide fiber optic network and purchase of an integrated public safety data system. The repayment of long-term debt consumes the current financial resources of the organization but does not have any affect on net assets. In future periods as the capital assets purchased with the debt are depreciated, net assets will decrease.
- The Organization is in the midst of making significant capital improvements. These improvements are being made in three phases, with each phase being funded by a separate contract payable to a bank. These contracts payable will be repaid by a property tax millage that is restricted for debt retirement.
- The first phase includes the installation of a county wide fiber optic network and the purchase of an integrated public safety data software package. A contract payable in the amount of \$2,839,041 was entered into December 2003 for those related expenditures. This phase is still ongoing.
- The second phase involves the hardware and software solutions to utilize the new data, a recording system upgrade and the debt issuance costs for the loan. A contract payable in the amount of \$1,605,959 was entered into June 2004 for these related expenditures. This phase was completed during the year.
- The third and final project phase, including future borrowings, has been deferred to the 2006-07 fiscal year budgets. This phase involves wireless connectivity to support the mobile data computers, their wireless connectivity, the fire microwave upgrade, bond expenses for the loan and future building relocation costs. A contract payable in the amount of \$2,200,000 was entered into June of 2006 for these related expenditures.
- The unspent contracts payable proceeds are maintained in a restricted bank account where invoices are paid as expenditures are incurred. The restricted account balance is invested in a money market account that earns a low rate of interest to reduce the cost of borrowing the money. The restricted account balance represents funds available for capital purchases in future phases of the project.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts - *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Organization.

- The first column of the financial statements includes information on the Organization's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Organization's sources and uses of funds.

# CENTRAL OPERATIONS FOR POLICE SERVICES

## Management's Discussion and Analysis

- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Organization's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Organization as a whole and present a longer term view of the Organization's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Organization. The net assets may be used as an indicator of a government's financial health. As of September 30, 2006, the Organization's net assets totaled \$4,362,923.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., equipment). These assets are used to provide services to the Organization's members, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,678,375. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets		
	2006	2005
Current assets and other assets	\$ 6,107,001	\$ 4,503,130
Capital assets	3,087,568	2,727,641
Total assets	9,194,569	7,230,771
Long-term liabilities	3,120,978	2,314,535
Other liabilities	1,710,668	1,100,880
Total liabilities	4,831,646	3,415,415
Net assets		
Invested in capital assets, net of related debt	1,696,423	1,486,916
Restricted	988,125	933,759
Unrestricted	1,678,375	1,394,681
Total net assets	\$ 4,362,923	\$ 3,815,356

## CENTRAL OPERATIONS FOR POLICE SERVICES

### Management's Discussion and Analysis

Current and other assets increased as the Organization borrowed money for the third phase of capital improvements. The capital assets increased due to the millage equipment purchases. The net asset category, invested in capital assets, net of related debt increased for the same reason. Liabilities increased due to borrowings for the third phase of capital improvements.

#### Change in Net Assets

	2006	2005
Revenues		
Property taxes	\$ 1,186,555	\$ 1,117,914
Member assessments	1,413,620	1,413,953
Emergency telephone surcharge	634,974	669,445
Wireless surcharge	259,128	233,484
Wireless surcharge training	15,464	9,977
Charges for services	18,315	18,315
Investment earnings	161,482	94,858
Other	11,803	413
Total revenues	3,701,341	3,558,359
Expenses		
Personnel	1,627,946	1,484,795
Maintenance and operations	502,817	387,752
Interest on long-term debt	132,100	135,229
Depreciation and amortization	374,805	332,914
Loss on disposal of capital assets	-	6,578
Total expenses	2,637,668	2,347,268
Excess of revenues over expenditures	1,063,673	1,211,091
Extraordinary item		
Loss on impairment of asset	(516,106)	-
Change in net assets	547,567	1,211,091
Net assets at beginning of year	3,815,356	2,604,265
Net assets at end of year	\$ 4,362,923	\$ 3,815,356

Member assessments are based on population, taxable value and calls for service. They are charged to members' police and fire agencies in Muskegon County. For the past six budget years, there has been a freeze on member assessments with the total revenues approximately the same. However, the individual member's contributions have changed slightly according to updated information applied to the formula.

The emergency telephone surcharge has seen a decrease but the wireless surcharge has increased as more individuals replace their home phone with a wireless phone.

# **CENTRAL OPERATIONS FOR POLICE SERVICES**

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## **Management's Discussion and Analysis**

Investment earnings increased significantly due to the holding of the unspent loan proceeds and better interest rates.

Depreciation and amortization saw an increase because the new equipment additions have begun depreciating.

The extraordinary item regarding loss on impairment of asset refers to the termination of the software vendor associated with the first phase financing. The Organization has determined that there was no value to the work done by that vendor and has therefore written off construction to date and started over on that part of the project. Discussions are being held in an attempt to recover those payments.

### **Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization has only one fund, the General Fund.

The focus of the Organization's fund is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Organization's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the General Fund reported a fund balance of \$5,740,881, an increase of \$1,410,628. The increase was primarily a result of loan proceeds to fund the third phase of capital improvements that were not fully spent in the current year. The unreserved fund balance was \$1,609,022. Unreserved fund balance represents 36% of General Fund expenditures.

### **General Fund Budget**

During the current fiscal year, the Organization made several amendments to its original budget. The most significant of those is listed below:

- The budget for emergency telephone surcharge revenues was reduced as there continues to be a decline in the number of wireline phones due to the growth of the wireless industry. Correspondingly, the budget for wireless surcharges was increased.
- The payroll benefits budget was reduced because the Organization received a reduction in premiums during the year.
- The relocation budget was eliminated and instead fund balance was designated as the anticipated relocation will not occur until next fiscal year.
- The capital outlay budget was reduced due to delays in the expected progress of capital improvements.

# CENTRAL OPERATIONS FOR POLICE SERVICES

## Management's Discussion and Analysis

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Investment earnings were over budget due to higher interest rates.
- Salaries and wages and overtime were over budget due to unanticipated costs toward the end of the year.
- Repairs and maintenance costs were under budget due to equipment upgrades.
- Capital outlay was under budget due to delays in the expected progress of capital improvements.

### Capital Assets

Central Operations for Police Services' investment in capital assets as of September 30, 2006 totaled \$3,087,568 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture.

Capital asset additions include the purchase of distributed mobile data computers for the police and fire departments, the purchase of networking and server room equipment, as well as fire microwave upgrades. The fiber optic network project has caused delays in the installation of various other networking projects. Depreciation expense for the year was \$363,552.

As noted earlier, the Organization suffered an impairment of an asset related to software in the first phase of financing. The amount of the impairment was determined to be \$516,106 and was removed from construction in progress.

### Capital Assets

	Governmental	
	Activities	
	2006	2005
Communications equipment	\$ 647,627	\$ 639,127
Computer equipment	3,335,057	3,260,654
Office equipment and furniture	45,428	45,428
Construction in progress	1,683,627	1,338,051
Total capital assets	5,711,739	5,283,260
Less accumulated depreciation	2,624,171	2,555,619
Total (net of accumulated depreciation)	\$ 3,087,568	\$ 2,727,641

Additional information on the Organization's capital assets can be found in note D of the "Notes to Financial Statements" of this report.



### **Long-Term Debt**

At the end of the fiscal year, the Organization had total debt outstanding of \$4,492,978 in contracts payable and compensated absences. Long-term debt increased by \$1,231,043 during the year due to the borrowing of \$2,200,000 to fund the third phase of capital improvements offset by scheduled debt repayments.

Additional information on the Organization's long-term debt can be found in note G of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The 2006-07 fiscal year budgets emphasize the completion of the current millage projects that are in progress. Remaining loan proceeds will be spent to acquire the capital assets according to ongoing contracts, necessary to complete the projects.

The loss resulting from the unexpected impairment of asset referred to earlier will require the Organization to spend fund balance monies in excess of the project loan proceeds to acquire the software necessary to replace the terminated software vendor.

The Organization signed a long-term lease to relocate its operations after the current year end. This lease agreement and corresponding relocation costs will be in excess of the loan amounts in the third phase financing and may require the use of General Fund monies to complete.

Member assessments will remain frozen as member agencies state revenue sharing has decreased. The wire line operational surcharge continues to decrease and the wireless surcharge continues to increase as more home phone lines are disconnected and replaced by wireless phones.

There are no other planned changes anticipated for the operation of the Organization.

### **Requests for Information**

This financial report is designed to provide a general overview of Central Operations for Police Services' finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director's Office at Central Operations for Police Services, 860 Terrace Street, Muskegon, MI 49440-1219 or by phone at (231) 722-3524.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

December 5, 2006

Board of Directors  
Central Operations for Police Services  
Muskegon, Michigan

We have audited the accompanying financial statements of Central Operations for Police Services as of and for the year ended September 30, 2006, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Operations for Police Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Operations for Police Services, as of September 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 18 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Operations for Police Services' basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Central Operations for Police Services  
**BALANCE SHEET—STATEMENT OF NET ASSETS**  
September 30, 2006

	Balance Sheet - Modified accrual	Adjustments	Statement of Net Assets - Full accrual
<b>ASSETS</b>			
Cash and investments	\$ 2,711,590	\$ -	\$ 2,711,590
Accounts receivable	155,721	-	155,721
Due from other governmental units	73,274	-	73,274
Prepaid items	34,267	-	34,267
Restricted assets	3,104,697	-	3,104,697
Capital assets, net			
Nondepreciable	-	1,683,627	1,683,627
Depreciable	-	1,403,941	1,403,941
Bond issuance costs, net	-	27,452	27,452
Total assets	<u>\$ 6,079,549</u>	3,115,020	9,194,569
<b>LIABILITIES</b>			
Accounts payable	\$ 194,645	-	194,645
Accrued liabilities	48,160	-	48,160
Deferred revenue	95,863	-	95,863
Noncurrent liabilities			
Due within one year			
Bonds, loans and contracts	-	1,305,000	1,305,000
Compensated absences	-	67,000	67,000
Due in more than one year			
Bonds, loans and contracts	-	3,053,064	3,053,064
Compensated absences	-	67,914	67,914
Total liabilities	<u>338,668</u>	4,492,978	4,831,646
<b>FUND BALANCE</b>			
Reserved for:			
Prepaid items	34,267	(34,267)	-
Debt service	960,740	(960,740)	-
Capital projects	2,939,467	(2,939,467)	-
Wireless surcharge operating costs	20,207	(20,207)	-
Wireless surcharge training costs	7,178	(7,178)	-
Unreserved			
Designated for relocation costs	170,000	(170,000)	-
Undesignated	<u>1,609,022</u>	<u>(1,609,022)</u>	-
Total fund balance	<u>5,740,881</u>	<u>(5,740,881)</u>	-
Total liabilities and fund balance	<u>\$ 6,079,549</u>		
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,696,423	1,696,423
Restricted for:			
Wireless surcharge operating costs		20,207	20,207
Wireless surcharge training costs		7,178	7,178
Debt service		960,740	960,740
Unrestricted		<u>1,678,375</u>	<u>1,678,375</u>
Total net assets		<u>\$ 4,362,923</u>	<u>\$ 4,362,923</u>

The accompanying notes are an integral part of this statement.

Central Operations for Police Services  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**  
 For the year ended September 30, 2006

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
REVENUES			
Property taxes	\$ 1,186,555	\$ -	\$ 1,186,555
Member assessments	1,413,620	-	1,413,620
Emergency telephone surcharge	634,974	-	634,974
Wireless surcharge	259,128	-	259,128
Wireless surcharge training	15,464	-	15,464
Charges for services	18,315	-	18,315
Investment earnings	161,482	-	161,482
Other	<u>11,803</u>	<u>-</u>	<u>11,803</u>
Total revenues	3,701,341	-	3,701,341
EXPENDITURES			
Current			
Personnel	1,609,090	18,856	1,627,946
Maintenance and operations	428,190	-	428,190
Debt service			
Principal	987,813	(987,813)	-
Interest and fees	132,100	-	132,100
Debt issuance costs	19,308	(19,308)	-
Capital outlay	1,314,212	(1,239,585)	74,627
Depreciation and amortization	<u>-</u>	<u>374,805</u>	<u>374,805</u>
Total expenditures	4,490,713	(1,853,045)	2,637,668
Excess of revenues over (under) expenditures	(789,372)	1,853,045	1,063,673
OTHER FINANCING SOURCES			
Long-term debt issued	<u>2,200,000</u>	<u>(2,200,000)</u>	<u>-</u>
Net change in fund balance—net assets before extraordinary item	1,410,628	(346,955)	1,063,673
EXTRAORDINARY ITEM			
Loss on impairment of asset	<u>-</u>	<u>(516,106)</u>	<u>(516,106)</u>
Net change in fund balance—net assets	1,410,628	(863,061)	547,567
Fund balance—net assets at October 1, 2005	<u>4,330,253</u>	<u>(514,897)</u>	<u>3,815,356</u>
Fund balance—net assets at September 30, 2006	<u>\$ 5,740,881</u>	<u>\$ (1,377,958)</u>	<u>\$ 4,362,923</u>

The accompanying notes are an integral part of this statement.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Central Operations for Police Services (Organization) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

***Reporting Entity***

Central Operations for Police Services was organized as a joint venture under the provisions of the Urban Cooperation Act of 1967, by several local governmental units of Muskegon County. Its purpose is to provide central dispatch for police and fire protection services to the residents of the participating units. The Organization is governed by representatives from each of the member units. Revenues of the Organization include prorated assessments to member municipalities to cover projected operating expenditures for the ensuing year, an emergency telephone surcharge levied on telephone users and property taxes.

Generally accepted accounting principles require that if the Organization has certain oversight responsibilities over other organizations, those organizations should be included in the Organization's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Organization. The Organization only has governmental activities, which normally are supported by taxes and intergovernmental revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Organization has only one governmental fund, no separate columns have been provided.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, member assessments, telephone surcharges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

The Organization reports the following major governmental fund:

The General Fund is the Organization's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Organization reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Organization intends to hold the investment until maturity.

The Organization has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Organization to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

All trade and property tax receivables are shown net of allowance for uncollectibles.

The County processes property taxes. The Organization does not collect taxes for any other taxing units. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Organization to the County for collection. The County advances the Organization all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Organization. The Organization recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Organization totaled approximately \$3,861,000,000. The ad valorem taxes levied consisted of .30 mills for the Organization's general operations. These amounts are recognized in the General Fund.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Proceeds of long-term debt are restricted for capital improvements.

**Capital Assets**

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Furniture and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Communications equipment	5-15
Computer equipment	5
Office equipment and furniture	5-15

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Compensated Absences**

Organization employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 960 hours for employees. Unused sick leave over the maximum accumulation is paid by the Organization at 50 percent of the excess accumulation on December 31 of each year. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.



Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The Organization follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 30, the Board of Directors reviews a proposed operating budget submitted by the executive director for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of a resolution.
- c. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Board of Directors.

The appropriated budget is prepared by department. The legal level of budgetary control is the department level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Organization does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by a nationally recognized statistical rating organizations (NRSROs). The Organization has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Organization does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Organization investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. As of September 30, 2006, \$5,716,287 of the Organization's bank balance of \$5,816,287 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Organization does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Organization is not authorized to invest in investments which have this type of risk.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 1,338,051	\$ 1,216,920	\$ 871,344	\$ 1,683,627
<b>Capital assets, being depreciated:</b>				
Communications equipment	639,127	8,500	-	647,627
Computer equipment	3,260,654	369,403	295,000	3,335,057
Office equipment and furniture	45,428	-	-	45,428
Total capital assets, being depreciated	3,945,209	377,903	295,000	4,028,112
<b>Less accumulated depreciation:</b>				
Communications equipment	596,844	8,347	-	605,191
Computer equipment	1,928,721	351,639	295,000	1,985,360
Office equipment and furniture	30,054	3,566	-	33,620
Total accumulated depreciation	2,555,619	363,552	295,000	2,624,171
Total capital assets, being depreciated, net	1,389,590	14,351	-	1,403,941
Capital assets, net	\$ 2,727,641	\$ 1,231,271	\$ 871,344	\$ 3,087,568

**Construction commitments:**

At September 30, 2006, the Organization had entered into agreements for equipment upgrades. Below is a summary of the agreements.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Equipment upgrades	\$1,504,459	\$2,257,381

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE E—BOND ISSUANCE COSTS**

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
Bond issuance costs	\$ 39,645	\$ 19,308	\$ -	\$ 58,953
Less accumulated amortization	<u>20,248</u>	<u>11,253</u>	<u>-</u>	<u>31,501</u>
Bond issuance costs, net	<u>\$ 19,397</u>	<u>\$ 8,055</u>	<u>\$ -</u>	<u>\$ 27,452</u>

**NOTE F—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, all deferred revenue was for member assessments received for the subsequent fiscal year.

**NOTE G—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Organization for the year ended September 30, 2006.

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Due within one year
Installment purchase agreements	\$ 15,210	\$ -	\$ 15,210	\$ -	\$ -
Contracts payable	3,130,667	2,200,000	972,603	4,358,064	1,305,000
Compensated absences	<u>116,058</u>	<u>98,249</u>	<u>79,393</u>	<u>134,914</u>	<u>67,000</u>
	<u>\$ 3,261,935</u>	<u>\$ 2,298,249</u>	<u>\$ 1,067,206</u>	<u>\$ 4,492,978</u>	<u>\$ 1,372,000</u>

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE G—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Contracts payable**

\$2,839,041 - Contract payable to Muskegon County due in monthly installments of \$47,290 to \$50,632 through December 2008; plus interest at 3.34%	\$ 1,336,719
\$1,605,959 - Contract payable to Muskegon County due in monthly installments of \$26,717 to \$28,836 through June 2009; plus interest at 4.12%	919,712
\$2,200,000 - Contract payable to Muskegon County due in monthly installments of \$32,789 to \$40,720 through June 2011; plus interest at 5.32%	2,101,633
	<u>4,358,064</u>
Compensated absences	<u>134,914</u>
	<u>\$ 4,492,978</u>

Annual debt service requirements to maturity for debt outstanding as of September 30, 2006, follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,305,000	\$ 172,000
2008	1,361,000	116,000
2009	856,000	64,000
2010	469,000	34,000
2011	367,064	7,370
	<u>\$ 4,358,064</u>	<u>\$ 393,370</u>

The above loans and contracts are collateralized by various equipment held by the Organization. There are a number of limitations and restrictions contained in the various indentures. The Organization is in substantial compliance with all significant limitations and restrictions.

The contracts payable to Muskegon County (County) are part of an agreement in which the Organization has pledged revenue that will be generated from the special property tax millage to repay bank installment loan contracts that the County has obtained in the amount of \$6,645,000, so long as the debt proceeds are for the purchase of equipment and other capital items.

The contracts payable to Muskegon County are identical to the repayment terms of the installment loan contracts that the County has obtained with a bank.

In addition, the Organization has agreed to indemnify and hold the County, its agent, instrumentalities and officers harmless against any liabilities which might be imposed as a result of any deficiency of the funding generated by the property tax millage.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE H—LEASES**

The Organization conducts operations in an office facility under an operating lease that expires in May 2007. The lease requires current monthly rentals of \$1,671 and the payment of certain occupancy costs. Rent expense was \$20,058 for the year ended September 30, 2006. The Organization also leases various equipment under operating leases. Rent expense was \$3,101 for the year ended September 30, 2006. The future minimum lease payments for these leases are as follows:

Year ending <u>September 30,</u>	<u>Amount</u>
2007	\$ 15,772
2008	2,400
2009	<u>800</u>
	<u>\$ 18,972</u>

**NOTE I—OTHER INFORMATION**

**Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Organization manages its liability and property risk as a member of the Michigan Municipal League Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The Organization pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Organization pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE I—OTHER INFORMATION—Continued**

**Contingent Liabilities**

The Organization is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion the Organization's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Organization.

**Post-Retirement Health Care**

The Organization has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were three retired employees receiving benefits. The Organization finances the Plan on a pay-as-you-go basis. For the year ended September 30, 2006, the Organization's post-retirement health care cost under the Plan was approximately \$6,300.

**Extraordinary Item**

During the year ended September 30, 2006, the Organization suffered an impairment of an asset. The Organization determined that a project to upgrade its computer aided dispatch system was impaired and terminated the company doing the upgrades. The amount of impairment was \$516,106 and is reported as an extraordinary item in the Organization's statement of activities.

**NOTE J—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN**

*Plan Description.* The Central Operations for Police Services is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Central Operations for Police Services. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Central Operations for Police Services  
860 Terrace Street  
Muskegon, MI 49440

*Funding Policy.* Organization employees are required to contribute 4.70 percent to the Plan. The Organization is required to contribute at an actuarially-determined rate depending upon position from 3.89 to 6.12 percent of covered wages.

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE J—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued**

*Annual Pension Cost.* For the year ended September 30, 2006, the Organization's annual pension cost was approximately \$59,000 which the Organization contributed. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 8.4 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

Year ended	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/04	\$ 40,000	100 %	\$ -
09/30/05	50,000	100	-
09/30/06	59,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**  
*Schedule of Funding Progress*

*(Dollars amounts in thousands)*

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/03	\$ 3,220	\$ 3,277	\$ (57)	98 %	\$ 980	6 %
12/31/04	3,336	3,444	(108)	97	1,028	10
12/31/05	3,463	3,564	(101)	97	1,029	10

**Deferred Compensation Plan**

The Central Operations for Police Services offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Central Operations for Police Services' employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Total fund balance - governmental funds** **\$ 5,740,881**

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current  
financial resources and are not reported in the governmental  
funds.

Cost of capital assets	\$ 5,711,739	
Accumulated depreciation	<u>(2,624,171)</u>	3,087,568

Bond issuance costs are not capitalized and amortized  
in the governmental funds.

Bond issuance costs	58,953	
Accumulated amortization	<u>(31,501)</u>	27,452

Long-term liabilities in the governmental activities are not  
due and payable in the current period and are not reported in  
the governmental funds.

Bonds, loans and contracts payable	(4,358,064)	
Compensated absences	<u>(134,914)</u>	<u>(4,492,978)</u>

Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 4,362,923</u></u>
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Central Operations for Police Services  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
September 30, 2006

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued**

Net change in fund balances - total governmental funds	\$ 1,410,628
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Amounts reported for government activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives.

Depreciation and amortization expense	\$ (374,805)	
Capital outlay and bond issuance costs	<u>1,258,893</u>	884,088

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(516,106)
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Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.	(2,200,000)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	987,813
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	<u>(18,856)</u>
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Change in net assets of governmental activities	\$ <u><u>547,567</u></u>
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**NOTE L—SUBSEQUENT EVENT**

In October, 2006, the Organization signed a lease for a new headquarters. The term of this lease is 25 years commencing as of July 1, 2007. Rent expense under the lease will be approximately \$25,000 to \$58,000 annually. The Organization has the ability to opt out of the lease after every fifth year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Central Operations for Police Services  
REQUIRED SUPPLEMENTARY INFORMATION  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended September 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,177,346	\$ 1,186,555	\$ 1,186,555	\$ -
Member assessments	1,396,862	1,396,862	1,413,620	16,758
Emergency telephone surcharge	669,000	638,000	634,974	(3,026)
Wireless surcharge	232,000	250,000	259,128	9,128
Wireless surcharge training	10,000	15,464	15,464	-
Charges for services	18,315	18,315	18,315	-
Investment earnings	60,000	66,000	161,482	95,482
Other	500	600	11,803	11,203
Total revenues	3,564,023	3,571,796	3,701,341	129,545
EXPENDITURES				
Current				
Public safety				
Personnel				
Salaries and wages	1,116,225	1,065,000	1,102,112	(37,112)
Overtime	71,000	65,000	82,005	(17,005)
Payroll taxes	90,374	90,374	92,003	(1,629)
Payroll benefits	378,365	344,285	323,970	20,315
Longevity	9,200	9,000	9,000	-
Maintenance and operations				
Printing	250	250	90	160
Paper, supplies and postage	11,350	9,850	11,822	(1,972)
Contractual services	4,000	3,000	2,782	218
Publications and dues	1,800	1,650	1,590	60
Professional services	31,200	35,905	22,013	13,892
Communications	30,000	20,000	18,876	1,124
Telephone	78,000	78,000	75,750	2,250
Conferences and seminars	3,000	1,500	858	642
Travel	6,500	4,000	4,611	(611)
Advertising	1,200	500	88	412
Liability insurance	56,000	52,628	39,446	13,182
Utilities	7,000	4,800	6,634	(1,834)
Building maintenance	8,000	6,000	5,868	132
Equipment repairs and maintenance	210,563	208,250	185,227	23,023
Building rental	21,000	20,058	20,058	-
Equipment rental	6,000	3,500	3,101	399
Education and training	15,000	20,000	8,308	11,692
Software	1,000	1,000	187	813
Miscellaneous	2,000	1,500	1,205	295
Administrative charges	26,000	21,500	19,676	1,824
Relocation	170,000	-	-	-
Debt service				
Principal	1,225,438	987,823	987,813	10
Interest and fees	186,908	132,094	132,100	(6)
Debt issuance costs	20,000	20,000	19,308	692
Capital outlay	3,481,680	2,115,756	1,314,212	801,544
Total expenditures	7,269,053	5,323,223	4,490,713	832,510
Excess of revenues over (under) expenditures	(3,705,030)	(1,751,427)	(789,372)	962,055
OTHER FINANCING SOURCES				
Long-term debt issued	2,200,000	2,200,000	2,200,000	-
Net change in fund balance	\$ (1,505,030)	\$ 448,573	1,410,628	\$ 962,055
Fund balance at October 1, 2005			4,330,253	
Fund balance at September 30, 2006			\$ 5,740,881	

## **OTHER SUPPLEMENTAL INFORMATION**

Central Operations for Police Services  
General Fund  
**Schedule of Revenues and Expenditures - Wireless Surcharges**  
For the year ended September 30, 2006

**Accounting for Enhanced 911-Emergency Services for Wireless Telephone Systems**

P.A. 81 of 1999 was passed by the legislature in order to provide emergency 911 capability for wireless phones and to finance the new facilities and equipment that might be needed for such improvements through a user fee. It also re-established the Emergency Telephone Service Committee to provide technical assistance in formulating and implementing a 911 plan. The Emergency Telephone Service Committee requires that fees generated by the wireless surcharge be spent only on allowable costs as determined by the committee. Fees are also provided for training that must also be spent only on allowable costs.

The fees generated by the wireless surcharges and the costs of providing those services were as follows for the year ended September 30, 2006:

	Wireless surcharge operating	Wireless surcharge training
Revenues		
Wireless surcharge	\$ 259,128	\$ 15,464
Interest	2,856	-
Total revenues	261,984	15,464
Expenditures		
Salaries and wages	175,236	9,325
Overtime	13,039	-
Payroll taxes	14,628	-
Payroll benefits	52,051	-
Longevity	1,431	-
Travel	-	1,385
Education and training	-	4,817
Total expenditures	256,385	15,527
Excess of revenues over (under) expenditures	5,599	(63)
Reserved fund balance at October 1, 2005	14,608	7,241
Reserved fund balance at September 30, 2006	\$ 20,207	\$ 7,178

In accordance with the act, the excess of revenues over expenditures is shown in the General Fund as reserved for wireless surcharge operating costs and reserved for wireless surcharge training costs.

Central Operations for Police Services  
General Fund  
**Schedule of Revenues and Expenditures - Reserved Fund Balance**  
For the year ended September 30, 2006

**Accounting for Millage Proceeds and Unspent Loan Proceeds**

On November 5, 2002, the voters of Muskegon County approved a millage for up to .30 mills to provide funding for the operation, including capital improvement, of the Organization. The Organization has borrowed money through contracts payable to Muskegon County to fund capital improvements with the intent of repaying the borrowed money with the funds generated by the millage.

The monies generated by the millage and contracts payable and the corresponding expenditures for capital improvements and debt service were as follows for the year ended September 30, 2006:

	Reserved for Debt Service	Reserved for Capital Project
Revenues		
Property taxes	\$ 1,186,555	\$ -
Interest	<u>60,173</u>	<u>72,376</u>
Total revenues	1,246,728	72,376
Expenditures		
Professional services	12,746	-
Equipment repair and maintenance	58,250	-
Capital outlay	3,226	1,218,664
Debt Service		
Principal	972,603	-
Interest and fees	131,765	-
Debt issuance costs	<u>19,308</u>	<u>-</u>
Total expenditures	<u>1,197,898</u>	<u>1,218,664</u>
Excess of revenues over (under) expenditures	48,830	(1,146,288)
Other financing sources		
Long-term debt issued	<u>-</u>	<u>2,200,000</u>
Excess of revenues and other sources over (under) expenditures	48,830	1,053,712
Reserved fund balance at October 1, 2005	<u>911,910</u>	<u>1,885,755</u>
Reserved fund balance at September 30, 2006	<u>\$ 960,740</u>	<u>\$ 2,939,467</u>

Because the contracts payable agreement commits the contract proceeds to specific capital improvements, all unspent contract proceeds will be shown as reserved for capital projects. The agreement with the County of Muskegon also provides that the funds generated by the voted millage be used to repay the contracts payable and costs related to the capital improvement project. Since the majority of the money is obligated for debt service, unspent monies generated by the voted millage will be shown as reserved for debt service.